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Bulgaria

Grain and Feed

Grain and Oilseeds Update

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Report Highlights:

Bulgaria is expecting a very good corn and sunflower crop and extra high exports of all grains and oilseeds. Sunflower crop production is likely to reach 700,000 MT and corn production 1.4 MMT. Wheat exports for the first two months in MY04/05 were about 350,000 MT, and barley exports reached 190,000 MT. Bulgaria filled its EU exports quotas, 275,000 MT of wheat and 55,000 MT of barley in full amount and in time. Major export destinations were Spain, Italy and Greece.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Sofia [BU1]
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Weather

The weather in August was warm but with lower average temperatures than usual and with higher amount of rainfall. This weather was in general favorable for the development of corn and sunflower but caused prolonged maturation of these crops. It is expected that most sunflower and corn (early and middle early hybrids) will be harvested in September (from September 10 to the end of the month) instead of usual harvesting time of August/September. Complete maturation of both spring crops is dependable on September weather. If the rainy weather continues, this may lead to inability of corn late and middle late hybrids to mature, and will reduce yields of quality of both crops.

Higher soil moisture and humidity were the major reasons for problems with fungi and weeds, mainly with sunflower crop. For the first time in years, collected corn may need extra drying which will increase the cost for farmers/storage managers/traders. Sunflower trade will be dominated by the requirements for purity/foreign matters content instead of usual oil content due to higher weed infestation.

Production of grains and oilseeds

The AgSofia office made a crop travel in the period August 23-25 to observe the status and development of spring crops. Farmers and processors report very good yields for already harvested wheat and barley, and unusually high yields expected from the spring crops due to favorable rainy weather to date. Concerns were expressed with the maturation in September, fungi and weeds problems.

Based on the latest satellite images, crop travel and reports from farmers, traders and industry groups, AgSofia made the following slight revision of the production estimates (see the table below). There is no change in barley and corn estimates. Wheat production is increased slightly from 3.3 MMT to 3.4 MMT. The official GOB estimates is for 3.8 MMT. Sunflower estimates are revised from 480,000 HA planted area to 490,000 HA; and production from 620,000 MT to 700,000 MT.

Wheat: In Central and South Bulgaria, most farmers reported yields of 3.3 MT/HA to 3.5 MT/HA, with some exceptions of 4.0-4.5 MT/HA. However, in North Bulgaria or in the major grain production regions, majority of farmers reported yields of 4.5 MT- 6.0 MT/HA. With the revised higher production estimate, the average yield in MY04/05 is currently estimated by Ag Sofia at 3.6 MT/HA.

Wheat quality is reported to be good and suitable for exports. The best quality wheat is reportedly already exported, mainly to the EU countries within the export quota of 275,000 MT. The prevailing wheat, however, has lower gluten content this year due to humid weather.

Sunflower: Sunflower yields in South Bulgaria are estimated around 1.0 –1.5 MT/HA or above but are not exceptionally high. The pollination was very good, heads are full, and the seeds are of good quality. In North Bulgaria, sunflower yields are much higher, around 2.5 MT/HA. Weed infestation was observed mainly in North Bulgaria. With the revised production estimate, the average yield in MY04/05 is currently estimated by AgSofia at 1.4 MT/HA.

Table 1. Grain and Oilseeds Production Estimates in MY2003/04 and MY2004/05

Grain and Oilseeds Production Estimates in MY2003/04 and MY2004/05				
	Planted Crop Area, HA		Production, MT	
	MY2003/2004	MY2004/2005	MY2003/2004	MY2004/2005
Wheat	900,000 750,000 harvested	940,000	1,700,000	3,400,000
Barley	285,000 270,000 harvested	280,000	450,000	950,000
Corn	400,000	350,000	1,000,000	1,400,000
Sunflower	610,000	490,000	720,000	700,000
Note: Ag Office estimates				

Trade

Wheat and barley have been actively traded, mainly for exports in July and August with main destinations to the EU. After the EU export quotas were filled (end-July for barley and end-August for wheat), exports were destined for the usual export markets such as Tunisia, Syria, Morocco etc. Total wheat export for the period July 1 – August 30 were 344,226 MT and total barley export for the period were 190,000 MT as follows:

Bulgarian Wheat and Barley Exports by Destinations in MT, MY04/05, July 1-August 30			
Barley		Wheat	
Italy	37,467	Spain	230,575
Greece	51,149	Turkey	2,891
Syria	34,794	Romania	18,177
Libya	11,655	Germany	3,123
Cyprus	6,726	Greece	23,617
Jordan	4,624	Tunisia	33,997
Morocco	2,912	Israel	3,021
Tunisia	27,515	Egypt	2,381
Romania	13,258	Italy	11,109
		Portugal	8,271
		Cyprus	3,300
		Albania	3,864
Total	190,100	Total	344,226
Source: Industry data			

Despite the fact that total grain exports to date are at a relatively good pace, most traders and farmers report stagnation in trade, mainly due to farmer's expectations for much higher wheat prices compared to those offered by traders due to Black Sea regional competition.

A significant factor for further trade development will be the availability of storage facilities due to abundant crop. In most cases, storage facilities are already filled with fall crops (wheat, barley). Due to good MY04/05 crops, the demand and needs for new storage facilities, especially at a farm level is increasing. Processors and traders are also investing in storage, and at some places in drying facilities. On the other hand, later harvest of spring crops will allow farmers/processors/traders to free some storage space for coming corn and sunflower. Therefore, some change in the prices are likely by early October due to the harvest of spring crops and fall planting financial needs.

According to traders, both sunflower and corn crop will be traded at lower than last year prices. For the first time, the largest crushing operation, newly purchased plant by "Bunge", will be buying significant quantities of sunflower (50,000 MT and more), both for local crush and for exports. The company management has already announced publicly a starting purchase price of 340 leva/MT (\$212/MT) for standard quality sunflower, with special bonuses to be paid for cleaned or with small foreign matters content sun seeds. Most traders, however, think that this starting price is too high on a market where a very good supply is expected and where regional competition is tight.

Reportedly, many farmers may consider holding of sunflower in storage facilities and selling wheat due to higher prices of sunflower compared to wheat. The farmers, however, risk losing their sunflower as they are more vulnerable to moisture.

Policy

The State Reserve announced a purchase of 115,000 MT of wheat. Offers are being collected and the final decision should be taken by end-September. Reportedly, price offers are 180-200 leva/MT (\$112-\$125/MT) for standard wheat quality, delivered to the State Reserve warehouses. These prices are considerably higher than the current market prices of 140-160 leva/MT (\$87.5-\$100/MT). Therefore, traders assume that intermediaries will be able to accumulate good margins but this intervention will not likely affect the ex-farm prices.

An important change in the legislation is expected revision of the Grain Law and for the Law for the State Reserve. According to various experts working on these revisions, the military stocks will be finally separated, physically and by different organization, from intervention grain stocks. It is assumed that the State Reserve will keep only the military stocks in its own storage facilities. Some of the extra storage capacity will be moved to the new intervention agency which is planned to be established in early 2005, or will be privatization. This intervention agency will be under the MinAg and will be managed after the EU-model. According to completed negotiations with the EU under Agriculture Chapter, Bulgaria has a right to intervene with 500,000 MT of wheat annually after 2007.